



PHILIP MORRIS U.S.A.
INTER-OFFICE CORRESPONDENCE
RICHMOND, VIRGINIA

To: Susan Reich/Barbara Reuter

Date: September 14, 1993

From: Craig Schwartz *CS*

Subject: **Cartier**

Below please find several facts concerning Cartier.

- There is no saleable inventory remaining for any of Cartier's four packings. Any product on-hand is either damaged or old (production dates exceed one year).
- Based on year-to-date sales averages, the following amounts need to be produced to cover expected October-December sales:

> 10's Regular =	54,700
> 10's Menthol =	26,184
> 20's Regular =	367,944
> 20's Menthol =	<u>81,540</u>
Total	<u>530,368</u>

- Direct materials will be available accordingly:
 - > Westvaco 12 point SBS board (Marlboro not Cartier board) with solvent-based inks. Delivery time is 5 weeks from placement of the order. (Based on the aforementioned production quantities, \$69M worth of packaging materials are required).

Cartier board requires substantial lead-time, minimum order requirements that exceed our production needs and is double the cost of 12 point SBS board. Given the fact that there are no finished goods in inventory, the above is more expedient and cost-effective.

- Once direct materials are available, it will take two weeks to produce the aforementioned quantities.
- 20th Street is scheduled for closure on 9-30-93. After discussions with John Whitman, arrangements can be made to schedule Cartier production at 20th Street, after 9-30-93.

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- If for whatever reason 20th Street is not available after 9-30-93, it will cost PM USA between \$56M and \$73M, depending on the option, to migrate the equipment and production to Stockton Street.

Ideally, it would be best if production of Cartier was not necessary. However, please let us know how to proceed.

cc: C. Hamilton
K. Hunkeler
G. Jeanrenaud
R. Kelly
G. Reid
V. Smith
D. Westra
J. Whitman

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